



As I see

FARM SUBSIDIES

MANY years ago I heard a story which impressed me greatly. A benign king in a far country was deeply troubled by the low purchasing power of his people. He called together the wisest men in his kingdom and asked their advice. One told him that he had heard of a strange science which concerned itself primarily with the way nations became prosperous.

The king promptly sent his advisers out to many lands to study this strange science and to bring back to him their conclusions on how the wealth of his kingdom could be increased.

After many months they returned and discoursed much among themselves about "gross national product," "the multiplier," and other strange terms. The king became very angry and grumbled something about so-called scholars who thought they were being profound when they were merely being obscure. He asked them to prepare a report for him, couched in simple language, telling him the essence of this new science.

After many months they brought in many volumes full of words and charts which complicated the obvious and confused him still further. In a great rage he ordered them banished from his kingdom and replaced them with a simple man, wise in the ways of the world. The king asked him to study all of the words and charts of the many volumes until he could explain them to him.

Again many months passed and finally the adviser stood before his king. "O mighty king, I have studied long and diligently all that your scholars have written, and I have distilled this strange new science into its basic truth, which can be expressed in one sentence: 'There is no such thing as a free lunch.' "

To me this story illustrates the fundamental fallacy of many of the roads we have traveled in the past quarter century. We have assumed that there was some way in which it was possible to get something for nothing, and that by some method other than by increasing the average output per man-hour we could increase standards of living. We have assumed that the Government could guarantee to certain groups in our population a standard of living not achieved by the sale in the market place of the products they have produced.

Fortunately, this is a wealthy country with a great deal of industrial "know-how" developed in the past during periods of intense competition. In the past the efficient low-cost producer constantly captured the markets until some other producer with greater efficiency could take a portion of the market away. Our productive capacity has been so great and the momentum we have built up has been so tremendous that we have lived through successfully many policies in the more recent past which would have wrecked a poorer country; but even the wealthiest country in the world cannot continue an endless boom, fed by endless inflation. When the savings of the past are exhausted there will come a time when the repayments on indebtedness will equal or exceed the amount of new borrowing. Then, if not before, we must learn to live on our income.

We here in America have always been proud of setting new records. I have listed below a number of new records we have set which may not prove comforting, but which we cannot afford to ignore.

1. In March 1933, 23 years ago, our gross national debt was \$21.4 billion. Today it is \$276.1 billion, or an increase of approximately 13 times in the 23 years. The per capita debt has gone from \$170 to \$1,654.

2. State debt 23 years ago was \$2.8 billion. It is now \$11.2 billion, an increase of 4 times. On a per capita basis it has gone from \$23 to \$67.

3. Our local government debt has gone from \$16.4 billion to \$29.3 billion, an increase of about 1.8 times. The per capita debt has increased from \$130 to \$176.

Recapitulating, Government debt has gone from \$40 billion to \$316 billion, or from \$323 per capita to \$1,897 per capita. Since, on the average, there are 3.4 persons per family, this means that the Government debt at the present time amounts to \$6,450 per family.

4. Total mortgage debt in 23 years has gone from \$42.8 to \$130.2 billion, or from \$340 per capita to \$780. Nonfarm mortgage debt on 1- to 4-family houses has gone from \$16.7 billion to \$88.7 billion, or from \$133 per capita to \$531.

5. Corporate nonmortgage debt has gone from \$91.9 billion to \$198 billion, or from \$731 per capita to \$1,186.

6. Individual nonmortgage debt has gone from \$19.1 billion to \$62.6 billion, or from \$152 per capita to \$375.

Now adding private debt to Government debt we find that the total debt burden has increased from \$194.4 billion to \$707.4 billion, or, on a per capita basis, from \$1,545 to \$4,240.

Since the average family consists of 3.4 persons, the average total debt per family in the United States at the present time is \$14,400. Since the average personal income per family in 1955, including income in kind, totals \$6,180, the average family in the United States, if it could assign its entire income, including the amount withheld for taxes, to paying off its share of the total debt, would have to devote all of its earnings for 2-1/3 years.

For many years we have been trying to subsidize the farmer to better his position. During this period we have maintained selling prices for farm products above the price which these farm products would bring in the market place. The total cost of our farm program in the last 23 years is approximately \$20 billion. While we have been spending this money, we have established some agricultural records that are worth noting.

The Federal Government now has some \$7.7 billion invested in price support operations, including an inventory so large that storage charges alone are about \$1 million a day. This inventory includes 8 million bales of cotton owned by the Commodity Credit Corporation and loans on an additional 2.4 million, which is practically equivalent to ownership. This amounts to about 105 pounds per family. The wheat stocks owned by the Government amount to 1.3 billion bushels, and are equal to a 2-year supply for food in the United States. In January of this year we had 747 million bushels of corn in the Commodity Credit Corporation inventory, or about 15 bushels per family.

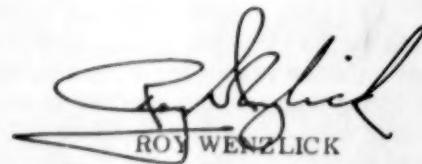
As I have stated numerous times in our reports, I am opposed to subsidies paid by the taxpayer in an attempt to benefit one segment of our population. I see no more reason for a fixed parity trying to ensure a farmer a certain standard of living than I do for a parity in residential rents in an effort to ensure the real estate owner a certain standard of living. I have always opposed subsidized Federal housing for the same reason, as I do not feel that any economic group has a right to expect the Federal Government to take money from other taxpayers in order to benefit the limited number which can be taken care of in this type of subsidized accommodation.

Our farm problem consists primarily in the fact that we have too many farmers on the farm and that we are operating too much marginal land. To subsidize these farmers to remain on the farm and to continue to operate marginal land will never solve our problem but will increase the surpluses which are already unmanageable. Our increasing population will not solve this problem as our agricultural colleges are teaching thousands of young men and women how to produce larger crops per acre through the use of better seeds, better fertilizer, better machinery and better weed control. The increased production per acre which we can expect in the next few years will more than offset the increase in population. Farmers must leave the farms and, in my opinion, the only thing which will make them do so is economic compulsion. Just so long as they can make a living in producing unneeded grains and other farm products, inertia will keep them on the farms.

I realize that no one running for public office could advocate in substance the "starving out" of inefficient farmers on marginal lands in order to compel them to become industrial workers, but I am not running for public office, and the fact remains that during the entire history of the United States it has been primarily economic compulsion which has resulted in the fact that only 10% of our employed population is now employed on the farm, while in 1820, 72% of our employed population was employed on the farm.

It is my opinion that in the United States, in spite of automation, we are going to be faced with a continuing labor shortage during the next 50 years. To pay able-bodied workers to raise food for which there is no demand, and which is already spoiling in storage, is silly, when these persons could be employed in work which would contribute to raising the standards of living of America.

I am willing to concede, however, that no matter where you want to go you have to start from where you happen to be. It would be impossible to eliminate support prices entirely overnight without bringing about a transition in employment so rapid that the displaced persons could not be immediately reemployed. I have, accordingly, constantly supported the President's plan for flexible price supports, with the hope that supports could be eliminated entirely in the not too distant future. I admire the courage of the President and of the Secretary of Agriculture in their willingness to hazard immediate political advantages for their beliefs in the inherent common sense of the American electorate.



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